

FISCAL HIGHLIGHTS

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EXECUTIVE APPROPRIATIONS COMMITTEE

MEETING SUMMARY - JUNE 17, 2008

SENATOR LYLE HILLYARD & REPRESENTATIVE RON BIGELOW, CO-CHAIRS

Report: Fees and Fee Revenue

The Legislative Fiscal Analyst Office reported on Fees and Fee Revenue. It reported that in FY 2007 the state collected \$263 million in fee revenue or 2.5% of the total state budget. The report also recommended further clarification of the requirements to hold public hearings for proposed new fees. It also recommended that all fees be submitted to the Legislature for their review and approval in an appropriations act. The Committee moved to accept all the recommendations of the report.

Staff Contacts: Jonathan Ball & Danny Schoenfeld

Report: Transportation Projects Funded By Bonds

The Department of Transportation reported to the Committee an update on FY 2009 proposed bonding for the Critical Highway Needs Program. The department is required to appear before the Committee and present a list of projects and the amounts of the bond proceeds needed. Representatives from the Department of Transportation also gave an update on the progress of the I-15 rebuild in Utah County.

Staff Contact: Mark Bleazard

Report: Federal Funds Report and Non-Federal Grants Report

Tenielle Young from Governors Office of Planning and Budget and Danny Schoenfeld from the Legislative Fiscal Analyst Office presented the Federal Fund report. There were two reapplications that required Legislative action. There were also two Non-Federal Grants that also required Legislative action.

Staff Contact: Danny Schoenfeld

Report: Public Employees Health Program Preferred Transition Report

Jeff Jensen from the Public Employees Health Program gave a preliminary report on the results from HB 4 State Agency and Higher Education Compensation Amendments. The Department of Human Resource Management certified to PEHP that in fact PEHP Preferred Care terms so that employer cost for all insurance plans are equivalent and that there are no increases in premiums for the other PEHP health care products. PEHP reported that 77% of enrollment received from state employees had switched from PEHP Preferred to the PEHP Summit and Advantage Care plans.

Staff Contact: Danny Schoenfeld

Report: FY 2007 & 2008 Building Block Follow-up Report

In December 2007, the Analyst presented a follow-up report on selected "Building Blocks" (additions to the base budget) from the 2007 General Session. The report focused on results, and included previous year's funding. Many of the

(Continued on page 2)

UPCOMING MEETINGS

**Executive Appropriations
 August 19, 2008
 C445 State Capitol**

**Public Education, Higher Education
 Appropriations Subcommittees
 & Education Interim Committee
 Joint Meeting**

July 10 & 11, Cedar City, Utah

**Capitol Facilities and Government Operations
 Appropriations Subcommittee
 July 26, 2008
 C440 State Capitol**



EXECUTIVE APPROPRIATIONS

~ Continued from Front

building blocks did not yet have sufficient data and so Executive Appropriations Committee asked that the report be given again when there was better information. This is that report, a follow-up of the follow-up report. The full text is available on the legislature's web site under Executive Appropriations Committee or the Legislative Fiscal Analyst.

Staff Contact: Stan Eckersley



COMMERCE AND WORKFORCE SERVICES

Staff Contact: Danny Schoenfeld

Subcommittee Interim Report

The Commerce and Workforce Services Appropriations Subcommittee met on Thursday, June 12 at the Utah State Office of Rehabilitation, Division for the Blind and Visually Impaired. The Department of Commerce reported on their process for establishing new and existing fees.

The Department of Insurance reported on the Utah Comprehensive Insurance Pool. They reported that they have a 14 month reserve that will allow they pay all outstanding claims. The Department of Alcoholic Beverage Control reported that they are opening eight new and remodeled stores in Utah. The DABC is also planning seven new or remodeled stores in the 2009 calendar year. They reported that they are experiencing 12 percent annual growth in sales.

The Department of Workforce Services reported on the newly created Refugee Services Office. During the 2008 General Session the Department of Workforce Services was authorized \$200,000 on-going in General Funds to provide organizations with capacity building. This will also assist refugee communities with the ability to hire, train, and supervise community advocates who will do home visits and help refugees with living skills.



CAPITOL FACILITIES

Staff Contact: Steve Allred

State Building Ownership Authority Debt Service Maturities

May 15, 2008 was the final maturity date for two outstanding State Building Ownership Authority (SBOA) lease revenue bonds – the 1997A series and the 1998A series. The SBOA originally issued \$4.15 million of lease revenue bonds for the 1997A series and \$25.71 million for the 1998A series. These bonds built a Utah Department of Transportation building, a Department of Administrative Services Surplus Property building, and various Department of Alcoholic Beverage Control (DABC) liquor stores. The bonds also aided in paying off \$13.3 million for a Salt Lake County Youth Corrections building.

In 1979 the Legislature created the State Building Ownership Authority as a body politic and corporate of the State. The Legislature found (UCA 63B-1-302) that it was more economical and efficient to use funds to purchase and acquire buildings rather than to rent space in privately owned buildings. The SBOA therefore received power to issue lease revenue bonds (approved by the Legislature) to finance the acquisition and construction of facilities. The principal and interest for these lease revenue bonds are paid by Agencies as lease payments, appropriated by the Legislature in lieu of rental budgets, to the SBOA.

Paying off the 1998A and 1997A series of SBOA lease revenue bonds reduces the number of outstanding SBOA lease revenue bonds from twelve to ten. As of May 15, 2008 there is approximately \$222.7 million of SBOA principal left outstanding. The Fiscal Year 2009 budget for SBOA lease revenue bond debt service (principal and interest) is approximately \$26 million (a significant decrease from the \$65 million budget for Fiscal Year 2005).

The 2008 Legislature approved authorization (H.B. 5) for \$90 million of additional SBOA lease revenue bonds to build Phase II of the University of Utah Medical Center cancer research hospital. The Legislature further approved \$23.7 million for the construction of five DABC liquor stores (H.B. 5). These bonds have not yet been issued.



Drug Offenders Reform Act

The Utah Substance Abuse and Anti-violence Coordinating Council (USAAVCC) submitted a written report to the Executive Appropriations Committee in June of 2008.

Passage of S.B. 50, "Drug Offenders Reform Act" (DORA) during the 2007 General Session expanded the DORA pilot program to a state-wide ongoing program. DORA requires screening, assessment and substance abuse treatment services for offenders convicted of a felony. The USAAVCC, provides oversight of this program. The provisions of this legislation, requires an annual report be submitted to the Legislature with the recommendations for the implementation of this program. The recommendations outlined in this report included the following provisions:

- A policy on how the appropriated funds are to be used;
- A criteria for treatment plans that are appropriate for felony offenders;
- Guidelines for the membership of the local planning groups; and
- Guidelines for the membership of the Department of Corrections' planning group.

Medicaid 340B Drug Pricing Programs

As required in HB 74 "Medicaid 340B Drug Pricing Programs" from the 2008 General Session, the Department of Health submitted their report on May 21, 2008 with an updated report on June 12, 2008. The following summary details the three requirements of the report and response from the Health Department:

- *Potential cost savings from 340B program expansion* – no statewide costs savings provided except one example for multiple sclerosis drugs that may reduce costs by \$400,000 Total Funds (\$115,000 General Fund).
- *Medicaid plan changes required for program expansion* – only specific disease 340B drug control programs would require plan changes.
- *Projected implementation of drug programs for specific diseases* – Health projects completing a feasibility study for multiple sclerosis by October 30, 2008.

May 2008

- **Medicaid Caseloads - 163,800**
- **400 member increase over April 2008**
- **2% increase over May 2007**

UEN Connectivity Upgrades for Elementary, Charter and New Secondary Schools

The Utah Education Network received funding from the Legislature for FY2009 to upgrade Internet connectivity for elementary, charter and new secondary schools. Appropriators gave ongoing funding for the first year of a three-year project in the amount of \$700,000 and one-time funds of \$500,000.

As of the end of FY2008, approximately half of the 501 elementary schools and 4 of 58 charter schools had high-speed capacity to support initiatives such as online testing. Historically, individual school districts have been responsible for negotiating any contracts that provide upgrades to connectivity for their schools. However, UEN has been able to leverage discounts with the Federal E-rate program as well as contracts with local telecommunications companies that provide a much lower price than districts have been able to obtain.

To this point, UEN has conducted a Request for Proposal to receive bids for the network improvements. When proposals are reviewed and accepted by UEN, upgrades will take place over FY2009 for about 95 elementary schools and 23 charter schools using both state budget and federal E-rate funds approved previously by the Legislature.



Tax Commission Building Blocks

Two of the building blocks approved by the Legislature during the 2007 General Session include funds for license plate reading equipment and for tax system modernization. The two PIPS license plate reading equipment provides law enforcement officers with additional resources to identify license registration violations and stolen vehicles. The funding for the two PIPS has enabled 210 new citations and eight stolen vehicles to be recovered.

The update on the tax system modernization is as follows: the sales tax system was completed in March 2008. This system is enabling easier flow of the workload, better auditing, and data analysis. With the completion of this, the Commission has now completed the sales tax and individual income tax portions of the tax system modernization, amounting to \$10.5 million.



Utah Sex Offenders: Trends, Recidivism and Treatment

Recidivism is defined as the rate of return to prison within one year of parole. A major point of discussion regarding recidivism among the prison population is recidivism among sex offenders and the effects of treatment for this particular group. The following paragraphs provide some recent data regarding incarcerated sex offenders, treatment for these individuals, and recidivism rates.

There are currently 1,800 sex offenders who make up approximately 28% of the prison population of 6,500 inmates. They constitute a significant portion of those offenders released on parole. The percentage and number of sex offenders in prison has grown in recent years. In 1995, there were an estimated 800 sex offenders of the 3,600 state inmates, or 22% of all inmates. While the total percentage of the prison population has gone up by only 6%, the actual number of offenders has gone up by more than double the amount of offenders since 1995.

Efforts to manage the recidivism rates among sex offenders differ from those of other types of offenders such as drug offenders. Approximately \$900,000 annually is spent on sex offender treatment. It is estimated that it takes 15 months and costs \$2,850 for an offender to complete treatment. Recidivism rates are lower for treated sex offenders. The recidivism rate for treated offenders is 19%, while those not treated is 42%. Not all sex offenders who enter treatment complete it.

The types and level of treatment provided to sex offenders are significant issues. Among others, treatment has an effect on the rate that offenders re-offend and thus return to prison.



Quagga/Zebra Mussel Management Plan

The 2008 Legislature appropriated funding (\$1,106,500 for FY 2008 and \$1,400,000 ongoing for FY 2009) and passed legislation (SB 238, Aquatic Invasive Species Interdiction Act – Greiner, J.) to protect Utah's waters from Quagga/Zebra mussels. These mussels are considered an aquatic invasive species that will have serious negative impacts to Utah's aquatic resources, water based recreation, agricultural irrigation systems, culinary and sewage water treatment facilities, and power generation plants. In January 2007 this species was discovered in the Lower Colorado River basin in Lake Meade, Nevada.

The Division of Wildlife Resources (DWR) has been desig-

nated as the lead agency in the Department of Natural Resources for the development and implementation of the Quagga/Zebra Mussel Management Plan. According to the Plan, in 2008 DWR will spend \$248,918 on educating the public through media releases, brochures, signs, posters, and direct mail to boat owners. DWR will also hire 44 employees (6 full time and 38 seasonal) to oversee and execute the plan. The new staff will be inspecting and decontaminating boats, taking and analyzing samples from the lakes, and increasing law enforcement effort.

DWR has purchased 26 decontamination stations that are placed across Utah. The cost of each station is \$12,000. Additionally, the funding for the purchase and operation of two decontamination stations at Wahweap and Bullfrog areas of Lake Powell is provided by the National Parks Service.

If you are a boater visiting Utah's lakes and reservoirs this summer, you should be prepared to:

1. Fill out a self-certification form at the entry station of the park or lake about what bodies of water your boat has been in during the last 30 days and whether or not your boat has been decontaminated, displaying the form in your launch vehicle;
2. Possibly subject your boat and equipment to a professional decontamination process if your boat has been in one of the following infested waters in the last 30 days: Lower Colorado River between Lake Mead and the Gulf of California; Lake Mead; Lake Mohave; Lake Havasu; Lake Pubelo; Lake Pleasant; San Justo Reservoir; southern California's inland waters in Orange, Riverside, San Diego, Imperial, or San Bernardino counties; waters east of the Rocky Mountains in North America. The treatment as provided by DWR is free of charge but it can take anywhere from 20 minutes to 2 to 3 hours, depending on the size of the boat. It is more convenient for a boater to perform a do-it-yourself decontamination if they have been on an infested water as follows:

- Clean off all plants, fish, mussels & mud at a water body you are leaving;
- Drain all water (bilge, livewells & motor) at a water body you are leaving;
- Dry at home or a suitable area for 7 days summer (June, July & August), 18 days spring (March, April & May) & fall (September, October & November), or 30 days winter (December, January & February), or freeze your watercraft and equipment for 72 continuous hours before your next boating trip.



Transportation Project Update

The Department of Transportation has dozens of highway projects throughout the state they are working on this summer. Those projects involve maintenance, renovation, reconstruction, and new construction. A major focus this year is on Interstate 80 east of I-15 to Kimball Junction in Summit County. The Department of Transportation has dubbed those projects as the “Innovate 80 Project.” To better help the motoring public negotiate the obstacles of those projects the Department has published the following information:

I-80 Reconstruction

Where: I-80 between State Street and 1300 East
When: Through fall 2009
Impact: Three lanes during peak hours and two lanes during off-peak hours. The 700 East eastbound on-ramp is closed through fall 2008.
Benefit: Adds one through lane and one auxiliary lane in each direction; replaces bridges and improves traffic flow along the corridor.

I-80 Overlay

Where: I-80 from the mouth of Parleys canyon to east of Lambs canyon
When: Late May through June
Impact: Three lanes will be maintained during peak hours in peak direction; Two lanes will be maintained during off-peak hours; I-80 will be restricted to one lane with moving closures at night after 8:30 p.m.
Benefit: Increases safety and improves ride by repairing damaged pavement.

I-80 Lambs Canyon/Mountain Dell

Where: I-80 at the Lambs Canyon and Mountain Dell Bridge Structures
When: Full WB closure Aug. 9, 4 p.m. to Aug. 10, 4 p.m.; Full EB closure Aug. 16, 7 p.m. to Aug. 17, 7 p.m. Intermittent restrictions on roads beneath the bridges will require detour routes.
Benefit: 24-hour directional closures will allow crews to complete placement of the bridges with fewer traffic delays and maintain safety.

Developing on State Property

A couple of ambitious development plans on state property have been publicized recently. First, the University of Utah updated its master plan. The plan calls for a significant amount of construction—up to 40 new buildings in the next 20 years. The University has discussed plans to create an 8-acre mixed-use development in the parking lot west of the football stadium. Second, various parties have expressed interest in constructing a new film studio at the State Fairpark. Seemingly more and more ideas surface as the Fairpark property increases in value.

With a few exceptions, state law precludes a capital development from being constructed on state property without legislative approval. The exceptions are:

- A higher education institution proves it can build, operate and maintain, and improve the project throughout its lifetime without using public monies appropriated by the Legislature. The project must also be consistent with the master plan and not have an adverse impact on the state.
- Renovation, remodeling, or retrofitting of an existing facility with non-state funds.
- A facility built with non-state funds and owned by non-state entities within research parks at the University of Utah or Utah State University.
- A facility built at This is the Place Park with funds raised by its foundation.
- A development on School and Institutional Trust Lands not for a state agency.

In addition, revenue bonds and general obligation bonds for capital projects cannot be issued without approval of the Legislature.

While there is a slim chance the University of Utah may meet some of the exceptions above, it is likely that most, if not all, of its proposed developments will require legislative approval. Regarding the Fairpark, no project will go forward without consent of the Legislature.



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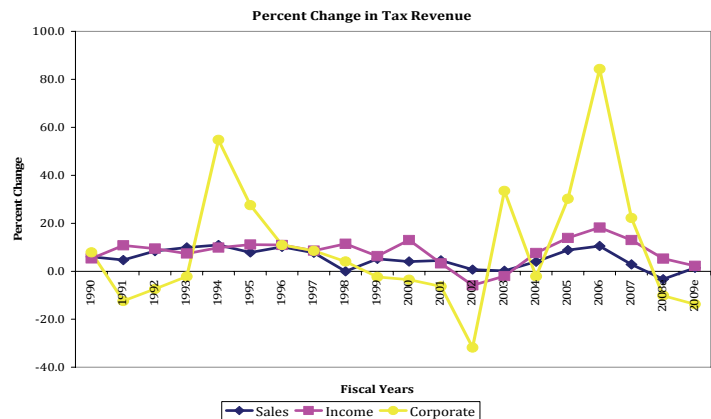
WHAT'S IN A NAME

Staff Contact: Jonathan Ball

I have three daughters. Every time one of these beauties arrived, I angled with my wife to name the newborn "Crystal". This, of course, would have been for my own amusement. I could then tell my bosses and colleagues that, when estimating revenue, I have a "Crystal Ball".

Luckily for me - not to mention the poor, unwitting child - my wife prevailed in such debates. Because, of course, I have no crystal ball. And at times like these, that fact becomes obvious. The times to which I refer are those when our economists (who I am convinced use tea leaves, not crystal balls) are so close to accurate in their predictions that we cannot tell you where we are on revenue until all of the beans are counted.

The latest Tax Commission form TC-23 through 11 months of FY 2008 shows major revenue collections slightly behind what we predicted for FY 2008. Last month's report showed collections ahead of forecast. As far as our economists are concerned, both are right on target. I know I prefer one option over the other, but I agree that, until we see what happens at the end of the year, it's too close to call.



Tax collections are by their nature volatile. The figure above shows percent change by year for three major tax types. The peaks and valleys represent year-to-year swings in collection. A month-to-month comparison shows even greater variance. In short, we are within range of our estimates for FY 2008, but we need another period of data to know where we'll end-up. We should be able to close FY 2008 without a problem. But final 2008 revenue performance - available before the Legislature's August meeting - will determine our outlook for FY 2009. Have I told you about my Great Aunt Winona Beach? She, of course, married INTO the family - becoming Winona Beach Ball. Maybe I'll save that for next month.